

## **INITIAL STATEMENT OF REASONS**

### **DESCRIPTION OF THE PUBLIC PROBLEM OR OTHER CIRCUMSTANCE THE PROPOSED ACTION IS INTENDED TO ADDRESS**

The Commission on State Mandates is a seven-member quasi-judicial body authorized to resolve disputes regarding the existence of state mandated local programs (Gov. Code, § 17500 et seq.) and to hear matters involving applications for a finding of significant financial distress (Welf. & Inst. Code, § 17000.6). Assembly Bill (AB) 1679, the Local Government Omnibus Act of 1999 (Stats. 1999, ch. 643) made several changes to the mandate reimbursement process that were effective January 1, 2000. This rulemaking will interpret, implement, and make specific technical amendments to the mandate reimbursement process required by AB 1679. Further, the text of the existing regulations has been reorganized and edited for clarity and consistency purposes.

#### **Section 1181.1.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

The section defines key terms used in the regulations. The definition of “amendment” is revised to align the regulations with the language in Government Code section 17557 (c) that states claimants may amend their test claims any time prior to the hearing on the claim as long as the amendment substantially relates to the original test claim. A definition of “claimant” is proposed because it is a term that is frequently used in the regulations. The definition of “filing date” is revised to clarify when the Commission considers filings to be filed for purposes of complying with statutory requirements related to processing claims, determining reimbursement periods and complying with statutory deadlines for adopting statewide cost estimates. “Test claim” is also amended to align with the statutory definition, which was changed by AB 1679. Non-substantive changes are also proposed to the definitions for clarity and consistency purposes.

##### **NECESSITY**

Definitions of key terms used in the regulations are necessary to clarify the meaning and to consistently apply the regulations.

#### **Section 1183.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

Government Code section 17553 (b) (1) requires the Commission to establish procedures to accept and consolidate multiple test claims filed on the same statute or executive order within 90 days of receipt of the first claim. The purpose of the proposed regulation change is to implement this requirement. Proposed amendments specify the circumstances under which the executive director can accept more than one test claim on the same statute or executive order. The executive director would designate the claimant that filed the first claim as the lead claimant absent a notice by the claimants.

##### **NECESSITY**

The proposed amendments are necessary to comply with statutory requirements that the Commission adopt procedures for accepting more than one claim on the same statute or executive order. In addition, the regulation has been reorganized and revised for clarity and consistency purposes.

#### **Section 1183.01.**

## **SPECIFIC PURPOSE OF THE REGULATION**

In the event multiple test claims are received on the same statute or executive order, the proposed amendment would toll the time (up to 90 days) from when the first test claim is filed until the consolidation occurs for purposes of calculating when a statewide cost estimate must be adopted by the Commission.

## **NECESSITY**

The proposed changes are necessary to comply with the Legislature's requirement that the Commission adopt procedures for accepting more than one claim on the same statute or executive order. Non-substantive changes are also proposed to the definitions for clarity and consistency purposes.

### **Section 1185.**

## **SPECIFIC PURPOSE OF THE REGULATION**

Government Code section 17553 (a) requires the Commission to adopt procedures for receiving claims and taking evidence on claims filed with the Commission. Further, it requires the Commission to determine if incorrect reduction claims filed with the Commission are complete within specified timeframes. If the claims are incomplete, the claimants have 30 days to complete the filings. Amendments are proposed to specify the filing requirements for incorrect reduction claims and procedures for reviewing the claims for completeness.

## **NECESSITY**

The proposed changes are necessary to comply with the Legislature's requirement that the Commission adopt procedures for receiving claims and taking evidence on claims filed with the Commission. In addition, the regulation has been reorganized and revised for clarity and consistency purposes.

### **Section 1185.01.**

## **SPECIFIC PURPOSE OF THE REGULATION**

The proposed amendments specify that the Office of the State Controller has 90 days to review incorrect reduction claims as required by Government Code section 17553 (d).

## **NECESSITY**

The amendments are necessary to establish procedures for the Office of the State Controller to comment on incorrect reduction claims, within the timeframes prescribed by statute, and for claimants to rebut the Controller's comments. Other non-substantive changes are proposed for clarity and consistency purposes.

### **Section 1185.02.**

## **SPECIFIC PURPOSE OF THE REGULATION**

This subsection is renumbered. Amendments are proposed to add the procedures for preparing incorrect reduction claims for hearing, including distributing the staff analyses for review by the parties prior to the Commission hearing the claims.

## **NECESSITY**

The proposed changes are necessary to comply with the Legislature's requirement that the Commission adopt procedures for receiving claims and taking evidence on claims filed with the Commission. In addition, the regulation has been reorganized and revised for clarity and consistency purposes.

#### **Section 1185.1.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

This section is amended to clarify that, in the event the Commission determines that the Office of the State Controller incorrectly reduced a reimbursement claim, the Commission will request the Controller to reinstate the amount that was incorrectly reduced.

##### **NECESSITY**

This regulation is necessary to specify what happens following the Commission's determination that a claimant's reimbursement claim was incorrectly reduced.

#### **Section 1185.2.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

Government Code section 17571 requires the Commission, upon request by a local agency or school district, to review claiming instructions issued by the Office of the State Controller. The purpose of this regulation is to describe the procedures for filing and preparing the request for hearing by the Commission. It is being amended and relocated to section 1186.

##### **NECESSITY**

This regulation is necessary to describe the procedures for receiving and processing requests for the Commission to review claiming instructions for hearing.

#### **Section 1186.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

Government Code section 17571 requires the Commission, upon a local agency or school district request, to review claiming instructions issued by the Office of the State Controller. This section, as amended by AB 1679, also requires the Commission to direct the Controller to modify its instructions if the Commission determines that the instructions do not conform to parameters and guidelines issued by the Commission. The existing regulations related to reviewing the Office of the State Controller's claiming instructions are moved to this section from 1185.2. The proposed amendments specify that the Commission will direct the State Controller to modify the instructions pursuant to Government Code section 17571.

##### **NECESSITY**

This regulation is necessary to describe the procedures for receiving and processing requests for the Commission to review claiming instructions. It also specifies what happens following the Commission's determination the Controller's claiming instructions do not conform to the parameters and guidelines. The amendments are necessary to align the regulation with statutory requirements.

#### **Section 1188.5.**

##### **SPECIFIC PURPOSE OF THE REGULATION**

The purpose of this regulation is to establish procedures for the Commission to amend a prior decision upon request.

## **NECESSITY**

This regulation is proposed for repeal because Government Code section 17559, which was used as the authority for the regulation, was changed by AB 1679, and now provides a statutory basis for reconsideration and amendment of prior decisions. This regulation is inconsistent with the framework for amending a prior final decision described by the current language of Government Code section 17559.

## **MATERIAL RELIED UPON TO DEVELOP REGULATIONS**

No technical documents, empirical studies, reports or documents have been relied upon to develop these proposed regulations.

## **ALTERNATIVES TO THE PROPOSED REGULATORY ACTIONS**

The Commission has not identified any reasonable alternatives to the proposed regulatory actions. The Commission has no jurisdiction over small businesses. Therefore, there is no adverse impact on small business.

## **ADVERSE ECONOMIC IMPACT ON ANY BUSINESS**

The Commission has made an initial determination that there is no adverse economic impact on any business because the Commission does not have jurisdiction over businesses.